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Introduction

Each of the four commentaries on our paper – for which, needless to say, we are greatly appreciative – really deserves a detailed response. Such a response, however, would easily take up the space of another full-length paper, if not more. Rather than discussing each of the commentaries, and each of the comments therein, separately, we have therefore chosen to distil and discuss four themes that appear important both to the commentators and to us: theory and abstraction; land rent; mortgage securitization; and the role of the state.

Theory and Abstraction

Three of the four commentaries converge on the issue of theory, and the role of theory both in understanding housing and political economy in general, and within the specific conceptual framework we propose. So this seems a reasonable place to start. Julie Lawson asks for us to provide greater “clarity” in this regard – “concerning the nature of reality and causality, and a view on whether there are any types of laws or tendencies to be found mediating housing” – while Herman Schwartz and Mike Berry, in their own ways, do the same: the former sensing (but no more) that we are “edging towards a generic and cyclic theory of housing in relation to the logic of capital accumulation” (one which he thinks impossible), the latter expressing concern about our apparent theoretical “eclecticism.”

So, let us be clear. For us, theory is ineluctable. Explanation in social science entails the positing of causal relations, and this requires the development of theory: generalized combinations of reliable and defensible explanatory statements. Such theory development indeed necessitates, moreover, “the process of abstraction” referred to by Lawson – abstracting from the realm of empirical objects to isolate the significant structures or tendencies underlying their materialization (thus furnishing, in Berry’s words, “an understanding of the observable complexity of the real world from the deep causal powers at work”). But it also requires us to recognize that theories do not and cannot explain individual empirical cases in a direct and linear fashion, in part because all such cases represent the conjunction of multiple relational structures. In any event, the key resulting recognitions, at least from our perspective, are twofold. The first is that theorization, and the abstraction it entails, is qualitatively different from description of – even generalization about – empirical objects in and of themselves, especially of the kind (positivist empiricism) which treats the nature of those objects as unproblematic. And the second, speaking to Lawson’s query regarding “the role of empirical work,” is that such empirical work should at once draw (critically) upon, test, and thus refine or refute established theoretical conceptualizations.

This, in turn, leads us to the threefold insistence that theory can never simply stand still (how “generic” it is or can be is thus always open to question); neither, speaking to another of Schwartz’s suspicions, can it be “cyclic” (and we don’t think we intimated that it could or would be); and nor, lastly and most importantly, is the type of theorization we had (and have) in mind a theory *of housing* per se. More accurately, we were and are calling for

broadly-based political-economic theorization that acknowledges and asserts the manifold and seemingly-deepening materiality of housing to the processes and relations that political economy takes as its cumulative, complex object.

Contra Berry, moreover, we would also defend the open-ended nature of the theorization that we offered. If he is right that our account is rooted in Marxism, Berry is also right that it aims to integrate insights from other theoretical traditions. There are, no doubt, dangers in being theoretically polygamous, not least the one Berry highlights: that of seeking to combine what ultimately turn out to be “incommensurate” approaches. In our view, however, the risks related to potential incommensurability – and it is striking how often the incommensurability in question *is* merely latent, and rarely substantiated – are substantially outweighed by the gains realized when one metaphorically opens-up, during the iterative process of theory (re)development, to multiple sources of inspiration. Few contemporary Marxists, after all, would gainsay the theoretical – not to mention political – advances generated by classical Marxism’s engagement with, say, feminist and postcolonial theories. In our view, theories and frameworks that take not only the economics of housing but also its politics, history, geography and institutions seriously can in principle be commensurate under the critical realist ontology suggested by both Berry and Lawson since critical realism, according to its main protagonist, is receptive to different epistemologies in different ontological domains (Bhaskar, 1979). A fundamental openness to different theories for answering different kinds of questions related to housing potentially produces a better understanding of the role of housing in political economy, as long as one is attentive to and reflexive about the limits of the contribution of each of these theories and the assumptions underlying them.

Land Rent

In amongst the different theories one could possibly draw upon in centering housing in political economy, meanwhile, the cluster most conspicuously missing from our account, as Berry correctly observes, is that which comprises theories of land rent – thus bringing us to the second theme we want to discuss in this response.

For Berry, the fact that we set the question of land rent to the side represents the “great weakness” of our paper. His argument, in a nutshell, is that any meaningful theoretical discussion of housing and political economy *must* confront, head-on, questions of land, land rent, and (thus) theories designed to explain the latter. That our paper merely nods to the materiality of land rent is thus considered a fatal flaw. Addressing this criticism is, we think, very important. Indeed, it *may* ultimately be the case that in justifying our sidelining – on the grounds that we simply did not have the space to give land and land rent the consideration they deserve – we were defending the indefensible. At the very least, the justification we posited was probably inadequate. We hope, therefore, to do better here.

First, however, it is important to pause to consider what rent theory is and does; Berry helpfully identifies many of the innumerable reasons for land rent’s significance, and also identifies some of the different types of rent distinguished by rent theorists (absolute, differential, monopoly, and so forth), but he does not spell out the basic fundamentals of the theory. This, of course, is far from easy to do, rent theory having assumed multiple different configurations through its long and conflictual history. But it also strikes us as critical, if only because the nature of rent theory is so often misunderstood; witness, as just one example, the common confusion of land rent (in political economy) with the rent-seeking *behaviour* described by mainstream economics.

First and foremost, as we understand it, land rent is a relational issue insofar as it is concerned with the social relations of land ownership and with the power of land owners to extract payment from land users. If this is the case, what then is a “theory” of land rent? It is one, recalling the above discussion, which seeks through a process of abstraction to

formulate defensible explanatory generalizations about the structural tendencies underlying empirical patterns in such rents. In doing so, note, it makes the crucial though often underappreciated assumption that where the owners *sell* their land (including frequently, and not insignificantly, the house standing upon it), we can conceive the price paid as the equivalent of a discounted stream of future rental payments. And, as such, theories of land rent proffer a holistic framework for explaining the form and evolution of the spatial economy: why different pieces of land in different places are allocated to different land uses, cost different amounts to rent and purchase, and are developed and redeveloped in different ways.

Given all of this, where *should* land rent and rent theory “fit” in the picture we painted in our original paper and repaint here? The best way to approach this question, we think, is to clarify what we are and are not arguing. Our argument, to reiterate, is that housing must be central to *scholarly* political economy because it is palpably central to *the* (worldly) political economy; and that theory development is essential. What our argument does *not* encompass, however, is the question of which particular set (or sets) of statements about underlying political-economic structures and tendencies is best equipped to provide the scaffolding of such theory. Given its analytical power to explain precisely the kinds of housing-related processes described by Berry, rent theory of one form or another is clearly a prime candidate – indeed, probably *the* prime candidate. But nothing in our paper contradicts such a proposition. Rent theory is not an *alternative* to the framework we flesh out therein; it is, rather, complementary, in the sense that its mobilization would demonstrably help to operationalize key components of said framework (again, in exactly the ways Berry observes). We agree that land underlies all housing and is therefore crucial; yet land is about more than housing and at the same time, housing cannot be reduced to land. Illustrating and championing the power of rent theory would certainly, therefore, have made our paper stronger; we do not agree, however, that leaving rent theory to one side diminishes the essential validity of the claims that the paper *does* make.

Mortgage Securitization

The commentaries of Dick Bryan and Mike Rafferty and of Schwartz, meanwhile, pay a great deal of attention to the issue of mortgage securitization and both implicitly seem to be saying that we are not paying enough attention to it. Mortgage securitization, as each commentary emphasizes and as we noted in relation to the issue of capital circulation, is a technique to make investments in housing that are spatially and temporarily fixed, liquid in space and time. Securitization, therefore, enables the circulation of capital *in* and *through* housing, thereby facilitating capital switching from the primary (production) to the secondary (built environment) circuit of capital.

Yet, differently from earlier forms of capital switching to the secondary circuit, securitization does not embody a spatial fix but rather an attempt to circulate capital *out of* the spatial fix that is established through home buying and mortgage lending. That is, securitization makes it possible for mortgage lenders to speed up the circulation of mortgage credit: once a lender has supplied a certain number of mortgage loans, it can resell the rights to these loans (i.e., the mortgage in legal terms) in financial markets with the help of government-sponsored enterprises (Fannie Mae and Freddie Mac in the US) or investment banks. This directly frees up mortgage capital to be reinvested, possibly for granting more mortgage loans, thereby again enabling capital switching to the secondary circuit.

Since securitization enables the circulation of capital that is already invested in the built environment, it can be seen as effectively helping to create another circuit of capital: breaking up – or perhaps better, transcending – the spatial fix, it does *not* switch capital back into the primary circuit of capital, implying a need to expand (or, yes, abandon) the capital switching framework. Elsewhere (Aalbers 2008), one of us has suggested to expand the framework by introducing a quaternary circuit of capital, which is the “place” where capital

flows not to facilitate investment in production (primary circuit), the built environment (secondary) or science, technology and the welfare state (tertiary), but to facilitate the growth of finance in its own right, i.e. the trade in money, credit, derivatives, etc. Whether one has to “invent” a new circuit of capital or not, however, the crucial point – we would thus fully concur with our commentators – is that where it is practised securitization has substantively changed the rules of the game concerning the circulation of capital in and out of housing.

Securitization’s importance, of course, extends well beyond – though partly in view of – technical questions of capital circulation. Bryan and Rafferty, for example, point to the US Federal Reserve purchasing securitized assets, “especially securitised mortgages as if they were state money”; while we in Europe see the European Central Bank pushing securitization as a way to get out of the crisis because money makes the world, and certainly the EU, go round. And round and round again, as if it has already been forgotten that securitization was one of the reasons there was overinvestment in housing and other securitized assets in the first place, and that it was the demand for mortgage-backed securities that made it possible for subprime lending to expand as dramatically and rapidly as it did in the US (Ashton 2009) – a process facilitated by the US state (see, in particular, Gotham 2009), but driven also by the Basel 2 agreements, as Schwartz notes in his commentary, and mirrored by ‘facilitative regulation’ in countries with rapid growth in securitization such as the UK (Wainwright 2009) and the Netherlands (Aalbers, Engelen, and Glasmacher 2011).

And yet (to rationalize, at some level, our limited original attention to the subject): notwithstanding rapid growth in mortgage securitization in many English-speaking countries and the Netherlands, and to a lesser extent in Spain and Italy, mortgage securitization remains relatively underdeveloped, or even non-existent, in both most developed and less developed countries. This is not to discount the theoretical importance and potential future geographical expansion of securitization in relation to housing; it is simply to observe that capitalist political economy, and housing’s implication in it, remains much more of a broad church than a singular emphasis on securitization might allow.

The Role of the State

This brings us to the final theme we’d like to highlight in this response: the role of the state in our framework. It should come as no surprise that all four commentaries have something to say about the state. After all, although we claimed capital as the central category of political economy, one could easily argue that the state deserves similar prioritization. Perhaps we can agree that capital and the state together are the central concepts of political economy? This is not because capital represents the ‘economy’ in political economy and the state the ‘political’, but because capital and the state are both political *and* economic in nature, i.e., both concepts are prime illustrations of why one cannot separate the political *from* the economic.

The state is of course a complicated web of institutions that, at least conceptually speaking, should be spelled in the plural (but that would add to the confusion). There are many theories of the state but most if not all of them argue that the state is everywhere, multiscalar and multidimensional. The state is not just the national state, but also exists at sub-national and supra-national scales. Among other things, the state plays a crucial role in creating, recreating or changing, restricting and facilitating the development of housing markets or parts thereof as well as the many actors active in those markets, including a variety of state institutions. Regarding housing, the state may, for instance, promote gentrification, capital switching to the built environment, securitization, asset-based welfare, commodification of housing – or it may do the complete opposite, or even both things at the same time.

While capital as an interest group follows a specific logic (by which we do not mean that things always stay the same, as Schwartz reproaches us), i.e. the logic of accumulation, the state in its many shapes and guises may follow multiple sets of logics, often at the same time. This presents us with a difficulty: concerned to show the importance of housing to political economic analysis and theory, it is considerably more expedient (but also, we believe, more powerful) to make this argument through the logic of capital than through the logic(s) of the state. This does not mean that the framework we propose ignores the importance of the state, nor that we did not see a critique of our treatment of the state coming – which is why we wrote in our conclusion that readers “will likely judge that we have paid far too little attention to the state, and its role in shaping different housing outcomes in different historical and geographical political-economic conjunctures”. But perhaps, indeed, the absence of a more coherent conceptualization of the state somewhat weakens our framework’s purchase in its original, basic form.

Any discussion of the roles of the state(s) in housing will ultimately lead to a discussion of the extremely wide-ranging state-market configurations in actually existing housing regimes. Lawson points to alternative forms of capitalist relations in housing, which begs the question: when is something an alternative form of capitalism *in* housing and when is something an alternative form of housing *contra* capitalism? In actually existing housing systems, we see hybrids of the two. Some forms of decommodified housing, e.g. the marginal provision of underfunded public housing or homeless shelters, are closer to the former, with squatting and sweat equity closer to the latter, and the mass production of subsidized rental housing under Fordist capitalism (and sometimes continued since) in many European countries a “pure” hybrid. But in all such cases, these forms of housing provision are generally framed as being in opposition to fully commodified housing, in particular in countries where housing is the most fully commodified. Moreover, the role of the state in introducing, promoting and also destabilizing the role of ideology in housing relations can hardly be overestimated. All this calls for a clearer theoretical argument regarding the role of the state, as well as an open mind to the varieties of actually existing housing systems and relations.

Conclusion

Invoking the nineteenth-century spirit and words of Marx and Engels, Danny Dorling has recently sought to re-insert the housing question at the centre of UK political debate with his polemical intervention *All That is Solid* (2014), dealing with – as the book’s subtitle announces – Britain’s “great housing disaster” and how it “defines our times.” The historical parallels invoked by Dorling’s book are not exact, but they are certainly uncanny. We want to end this response by identifying and reflecting briefly upon some of them.

First, if Britain – like many other places in the world – is seen today to be wracked by a housing crisis, so too was the Northern Europe into which Engels released *The Housing Question* in the early 1870s. In particular, a perception of acute shortages of (affordable) housing was in the air then just as much as now.

Second, for all these perceived shortages, there was then – and is now – no shortage of proposed solutions. Then, one that was widely touted in “progressive” circles, and which was associated in particular with the French thinker Pierre-Joseph Proudhon, was the abolition of rental property; today, the flavour of the month, in the UK at least, seems to be the building of more homes.

Third, however, those arguing against the consensus dispute the pivotal assumption of absolute shortages. Dorling says that this notion ignores the substantial housing space owned, but not used, by the wealthy. Engels, strikingly, in the 1887 German edition of *The Housing Question*, wrote that “one thing is certain: there is already a sufficient quantity of

houses in the big cities to remedy immediately all real 'housing shortage', provided they are used judiciously" (p. 22).

Fourth, and partly as a result of this, these dissenters both depart from the standard proposals for solutions. Indeed, the parallel goes much deeper. Engels, as we noted in our original paper, saw housing (and housing "shortages") as a derivative, second-order social problem, resolvable only if the core inequities of capitalism – those implicit in the capital-labour relation – were rooted out. Dorling's take is not incomparable: to overcome the housing crisis, he argues, Britain needs to overcome the *underlying* problem of socio-spatial inequality.

Fifth, and finally, Dorling, like Engels before him, writes into powerful cross- and headwinds. Three years after the 1887 reprinting of *The Housing Question*, Alfred Marshall published his *Principles of Economics*, changing that discipline forever. In 2014, in implicit recognition of Marshall's legacy, the *Times Literary Supplement* turned, for its review of Dorling's book, to the high priest of supply and demand that is Tyler Cowen, US economics professor and of marginalrevolution.com fame. Gently mocking Dorling and his identification of unused housing space, Cowen asks, rhetorically, "how to redistribute this unjust largesse of sheets and pillows?" Dorling, he argues, fails to provide persuasive answers. Why? "You can't write a good book which attempts to repeal the laws of economics, especially when it focuses on an economic topic." In reconsidering the housing question in *political* economy, by contrast, we have sought to argue that you cannot today come to grips with the laws of the latter without factoring in the centrality of the former.

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